



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Audit Committee

From: Patrick McMahon *P. McMahon*  
Chief, Audit Division

SUBJECT: **Sixth Follow-up on the Mental Health Task Force Report**

We have completed a sixth follow-up to the September 3, 1998 report of the Department of Mental Health (DMH) Task Force. Progress continues to be made. DMH recently hired a DMH Chief Information Officer (CIO). DMH's Management Information System (MIS) transitioned past January 1, 2000 without any significant problems having been identified. Bidder proposals for an information systems consultant to assist in the acquisition and implementation of a replacement MIS were evaluated on November 29, 1999. DMH will interview qualifying bidders on February 8, 2000, with the selection of a bid scheduled for later in the month. The tentative schedule for submission of a contract for approval by the Board of Supervisors is now mid-March 2000.

The Chief Administrative Office's (CAO) Urban Research Unit continues to assist DMH in identifying potential revenue. DMH has developed specifications for a computer-generated Eligibility of Benefits (EOB) report intended to facilitate periodic reconciliations between County and State billing/payment records. DMH is now developing the programmed procedures to support this activity. In addition, DMH is trying to develop a direct interface with the State's Medi-Cal Eligibility Determination System (MEDS) to improve the accuracy and efficiency of client benefit determinations. DMH also actively participates in a workgroup tasked with the timely implementation of previously issued Auditor-Controller (A-C) recommendations.

We are working with DMH staff to strengthen the integrity of their recommendation status reporting process. We believe that this effort will improve DMH's ability to manage their control environment as well as improve the quality of information provided to oversight organizations. In addition, DMH's Chief Deputy Director summoned all of the Task Force participants to a meeting in December 1999 and requested in-person bimonthly briefings of progress achieved in implementing the Task Force's recommendations. DMH's Accounting Division is working to improve trust fund management.

While progress has been achieved, there are areas of concern.

- In August of 1999, the United States Department of Health and Human Services (DHHS) Office of Inspector General (OIG) launched an investigation of DMH's billings for services provided under the "Minor Consent Sensitive Services" program. In response, DMH established a third-party liability of \$9.6 million. The investigation is on-going. DMH has indicated that the department is obligated, if necessary, to dedicate all resources to respond to the OIG investigation. We are informed that details are protected by the attorney-client privilege.
- The MIS Reorganization Work Group, which reconvened in October 1999, has shown little activity since the beginning of December 1999. While the search for a new DMH CIO was a factor, significant numbers of technically trained staff also need to be hired. Unless the MIS Division is properly staffed, the likelihood of successfully implementing the Task Force's recommendations will be greatly diminished. An important requirement of the Task Force report is the acquisition and implementation of a new computer system. The acquisition of more technically capable management and staff to implement and manage the new automated environment is critical to the overall success of the project. In addition, the existing system, which requires more maintenance than there are resources to perform the work, may continue to exist in some form for three or more years.
- The Task Force recommended that the CAO and the Department of Human Resources (DHR) evaluate the feasibility of a consolidated Revenue and Claims Management Unit for all DMH billing and claims processes and determine appropriate staffing levels. The CAO/DHR authorized several additional positions requested by DMH in its 1999-2000 budget to accomplish the goal of establishing this organizational unit but decided not to authorize a division chief position. DMH expressed the belief that implementation of the recommendation would not be feasible without a division chief position and considers this goal unachievable this fiscal year. We have been informed by the CAO that this issue will be re-evaluated during the Fiscal Year 2000-2001 budget process.
- The September 1998 Task Force report recommended that DMH executive management adopt and aggressively support the precepts of claiming integrity, employee training, proper management of accounts receivable, and effective quality assurance. One of the means by which DMH hopes to achieve these and other internal control/compliance oriented goals is through the creation of a Compliance Officer position. A Compliance Officer could provide an internal audit capability reporting to the Director comparable to that currently available in other County departments. The concept of a Compliance Officer has merit. We are advised that the Office of the CAO is supportive, subject to DHR allocation of the position. DMH has decided to send a letter to the Board of Supervisors requesting this position.

- Although DMH's MIS transitioned past January 1, 2000 without any significant problems having been identified, the critical month-end and leap year processes still need to occur. Internal Services Department (ISD) management will be carefully monitoring the on-line and batch environments during the first quarter of the Year 2000. The CIO and ISD are working closely with DMH to provide technical support and advice.

We will continue working with DMH and the other involved departments and keep you informed of the Task Force's progress. Please contact me at (213) 974-0301, if you have any questions or need additional information.

PTM:IDC:GWM

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